

Education and Workforce Development Cabinet

Kentucky employers to save about \$112 million

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FRANKFORT, Ky. (Nov. 21, 2014) – Gov. Steve Beshear today announced that Kentucky employers will save an estimated \$112 million for the 2014 tax year as the state has qualified for a waiver under the Federal Unemployment Tax Act (FUTA).

The additional tax was waived because the state has taken no actions that had a negative impact on the solvency of the Unemployment Insurance (UI) Trust Fund. As a result, the Commonwealth has made significant strides in repaying a nearly \$1 billion federal UI loan that began in 2009 during the national recession.

“I’m pleased Kentucky is in a position to qualify for the federal tax waiver that will bring needed relief to our employers,” said Gov. Beshear. “We have made substantial progress toward repaying the loan and ensuring the long-term stability of the UI Trust Fund, and we must stay the course until Kentucky has a healthy reserve for future downturns.”

States that continue to have an outstanding federal UI loan balance for five years trigger the additional FUTA tax increase on employers called the Benefit Cost Rate (BCR) add-on. The add-on would have been 0.9 percent of the taxable wage base and could have cost each employer another \$63 per employee on top of the current 1.2 percent credit reduction employers are experiencing because Kentucky is still in borrowing status. Ten states including Kentucky qualified for the federal waiver.

As of Nov. 17, Kentucky owed \$336.2 million on an initial advance of nearly \$1 billion in federal UI loans. Kentucky began 2014 with an outstanding advance UI loan balance of \$639.8 million.

“While this is wonderful news for our employers and our state, we must remain focused on paying off the debt we owe to the federal government,” said Education and Workforce Development Secretary Tom Zawacki. “We are ahead of the projected timeline that was established to repay the loan, but Kentucky is still in borrowing status, and the balanced approach to attaining trust fund solvency must be maintained.”

“I want to thank Kentucky legislators for taking difficult steps with me to get the UI Trust Fund on the right road,” Beshear said. “Without their partnership and support we would not be making progress today.”

“I consider the legislation that made it possible for Kentucky’s unemployment insurance fund to stabilize and make positive gains to be one of the state’s top accomplishments over the last five years,” said House Speaker Greg Stumbo. “I am certainly happy with this latest news. It will be a great day when we pay off this federal loan.”

“Kentucky must remain focused on a jobs-friendly business climate, and unemployment insurance rates are a key component to keeping jobs and attracting new ones,” said Senate President Robert Stivers. “I want to thank Senator David Givens for taking the lead on this matter in the senate when this issue came up; overall, this was a great bi-partisan, bi-cameral effort, with the governor also lending significant support. The waiver helps the Commonwealth reach its goal of retiring the debt, and the end result is lower unemployment taxes for all employers in Kentucky.”

According to the U.S. Department of Labor, the ideal level of reserve ratios in Kentucky’s UI Trust Fund would be more than \$800 million. DOL estimates this figure based on an average of the Commonwealth’s benefit payments needed during past recessions.

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